

## TARIFF ACTION MEMORANDUM

File No.: TA85-406

Date : September 3, 2020

Date Filed: August 12, 2020

Statutory End Date: September 28, 2020

Name of Utility: Norgasco, Inc.

Description: Semi-Annual GCA Update

Synopsis of Filing:

Norgasco, Inc. submits its semi-annual Gas Cost Adjustment update for the period beginning July 1, 2020.

**Tariff Recommendation:**

The Commission should approve Tariff Sheet No. 32.01, filed August 13, 2020, by Norgasco, Inc. in TA85-406, as shown on the attached side-by-side tariff sheet (JD-1). The effective date of the tariff sheet should be August 12, 2020.

**Reason(s) for the above-indicated recommendation:** See attached memorandum.

Signed: Jed Drolet  
Jed Drolet

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	Date (if different from 9/3/20)	<u>I CONCUR</u>	<u>I DO NOT CONCUR</u>	<u>I WILL WRITE A DISSENTING STATEMENT*</u>
Pickett		<u>RMP</u>		
McAlpine		<u>SM</u> SM		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JW</u> JW		

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA  
**The Regulatory Commission of Alaska**  
701 West 8<sup>th</sup> Ave., Suite 300  
Anchorage, Alaska 99501-3469

**M E M O R A N D U M**

To: Robert M. Pickett, Chairman  
Stephen McAlpine  
Antony Scott  
Daniel M. Sullivan  
Janis W. Wilson

Date: September 3, 2020

From: Jed Drolet, Utility Tariff Analyst

Subject: TA85-406, Norgasco, Inc.  
Semi-Annual GCA Update

**STATEMENT OF CASE**

Norgasco, Inc. (Norgasco) submits its semi-annual Gas Cost Adjustment (GCA) update for the period beginning July 1, 2020.

**RECOMMENDATION**

The Commission should approve Tariff Sheet No. 32.01, filed August 13, 2020, by Norgasco in TA85-406, as shown on the attached side-by-side tariff sheet (JD-1). The effective date of the tariff sheet should be August 12, 2020.

**BACKGROUND**

Norgasco is a privately owned natural gas utility providing service to approximately 65 commercial and industrial customers in the Deadhorse area.<sup>1</sup> Norgasco's load is met with gas purchased from BP Exploration (Alaska) Inc. (BP) and ConocoPhillips Alaska, Inc. (ConocoPhillips).<sup>2</sup> As shown on Tariff Sheet No. 32.01,<sup>3</sup> Norgasco recovers the related costs primarily through its GCA surcharge.<sup>4</sup>

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<sup>1</sup> See tariff advice letter for TA85-406, at 1.

<sup>2</sup> The initial term of both contracts expired December 31, 2019. Each contract contains a provision that the term will be automatically extended on a Year to Year basis after December 31, 2019 unless either party provides written notice of intent to terminate. No such notice has been given for either contract, and both remain in effect. See Letter Order No. L1000016, issued July 19, 2010 (TA56-406/TA57-406) and Letter Order No. L1100217, issued June 13, 2011 (TA63-406). Both contracts are included as attachments to Norgasco's tariff advice letter for TA85-406; the extended term provisions are at page 11 of the ConocoPhillips contract and page 8 of the BP contract.

<sup>3</sup> See side-by-side tariff sheet attached as JD-1.

<sup>4</sup> See Norgasco Tariff Sheet Nos. 30 and 32.01. As established in its last rate case, Norgasco's base cost of gas is set at \$1.00 per MMBtu, which accounts for the test year gas costs approved for recovery through Norgasco's base rates. See Letter Order No. L0600595, issued September 22, 2006 (TA48-406). The fuel costs not recovered through base rates are recovered through Norgasco's GCA surcharge.

Norgasco now submits TA85-406, its semi-annual GCA update for the period beginning July 1, 2020. In accordance with historic Commission practice for GCAs, a publication notice was not issued for TA85-406.<sup>5</sup>

Norgasco initially requested an effective date of August 1, 2020.<sup>6</sup> This date would have been before the filing date and would not be allowed under 3 AAC 52.506(b).<sup>7</sup> Upon further discussion with Staff, Norgasco agreed to an effective date of August 12, 2020. On August 13, 2020, Norgasco filed an updated tariff advice letter and tariff sheet to reflect the requested effective date.<sup>8</sup>

## **ANALYSIS**

### **GCA Surcharge Increase (Tariff Sheet No. 32.01)**

Proposed revisions to GCA surcharges are reviewed under 3 AAC 52.506, which requires information supporting entries in the balancing account for the historical period and support for projections for the future period.<sup>9</sup> Calculation of the GCA consists of two parts. The first part includes a 12-month estimate of MMBtu sales and gas costs.<sup>10</sup> Norgasco submitted supporting documentation for the estimates for the 12-month period beginning July 1, 2020. The second part includes documentation for the actual balancing account entries for January through June 2020 and the balancing account balance as of June 30, 2020. Norgasco provided actual usage, generation, cost, and sales data for the period of January through June 2020, including invoices and spreadsheets supporting the balancing account entries.

As shown on Tariff Sheet No. 32.01, filed with TA85-406, Norgasco proposes a GCA surcharge of \$2.054/MMBtu, which is an increase from the currently approved GCA surcharge of \$2.053/MMBtu. Table 1 shows the effect of the proposed GCA on a sample customer bill of 2,500 MMBtu of usage.

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<sup>5</sup> One reason the Commission forgoes publication notice for a GCA filing is 3 AAC 52.506(d) which states “[f]or a GCA filing under (b) of this section, a gas utility is not required to give public notice under AS 42.05.411...” This allows a utility to implement a GCA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff filing.

<sup>6</sup> See tariff advice letter for TA85-406, at 1

<sup>7</sup> 3 AAC 52.506(b) states that “[a] gas utility may implement a GCA revision that does not include a new methodology or new cost element immediately upon filing with the commission.”

<sup>8</sup> See TR2004866, filed August 13, 2020.

<sup>9</sup> See 3 AAC 52.506(g), *Filing Requirements for Gas Utilities*. This support includes invoices, records, reports, calculations, contracts and any other information the Commission and Staff consider necessary to explain the proposed GCA calculation.

<sup>10</sup> See Norgasco Tariff Sheet No. 32.01. Norgasco’s 12-month projections are developed by rounding up actual data from the previous year. See also Norgasco Tariff Sheet Nos. 31-32.

**TABLE 1**

Sample Customer Billing – 2,500 MMBtu Usage				
<u>Line</u>	<u>Description</u>	<u>Current Charges</u>	<u>Proposed Charges</u>	<u>Change from Current</u>
1	GCA Surcharge (\$/MMBtu)	\$2.053	\$2.054	\$0.001
<b>2</b>	<b>2,500 MMBtu Customer Bill</b>			
3	Monthly Rate @ \$2.95/MMBtu	\$7,375.00	\$7,375.00	
4	GCA Surcharge (\$)	\$5,132.50	\$5,135.00	\$2.50
5	RCC @ 0.137%	<u>\$17.14</u>	<u>\$17.14</u>	
6	Total Customer Bill	<u>\$12,524.64</u>	<u>\$12,527.14</u>	<u>\$2.50</u>

Factors that may affect the calculation of Norgasco's GCA include the previous period's balancing account balance, projected gas costs, and projected MMBtu sales. Changes in these factors frequently offset each other. Any factor that increases the average cost per MMBtu sold will put upward pressure on the GCA surcharge and any factor that decreases the average cost per MMBtu sold will put downward pressure on the surcharge. The proposed increase to Norgasco's GCA is primarily driven by:

- (1) A decrease in projected costs for the period. The projected costs decreased from \$2,047,028 to \$1,993,996.<sup>11</sup> This decrease is due to a decrease in the projected sales for the future period, which in turn affects the projected MMBtu purchases. This decrease in costs places downward pressure on the GCA surcharge.
- (2) An increase in the balancing account balance. The balancing account balance increased from \$2,998 to \$3,338.<sup>12</sup> This indicates that Norgasco's actual costs were greater than its revenue, which places upward pressure on the GCA surcharge.
- (3) A decrease in projected MMBtu sales for the period. The projected MMBtu sales decreased from 671,487 MMBtu to 654,091 MMBtu.<sup>13</sup> This decrease results in the projected costs being spread over a smaller number of MMBtu, placing upward pressure on the GCA surcharge.

The increase in the balancing account balance and the decrease in projected MMBtu sales place upward pressure on the GCA, which offsets the downward pressure from the decrease in projected costs. The overall effect is an increase to Norgasco's GCA.

The revisions proposed in TA85-406 did not include a change in methodology or new cost element, and as such, Norgasco implemented the proposed GCA surcharge on August

<sup>11</sup> See Tariff Sheet No. 32.01, attached as JD-1, at line item 1.

<sup>12</sup> *Id.*, at line item 2a.

<sup>13</sup> *Id.*, at line item 4.

12, 2020, in accordance with 3 AAC 52.506(b).<sup>14</sup> Staff has reviewed all information and calculations filed in support of the proposed surcharge and verified that Norgasco provided all required information. Staff confirmed that the proposed surcharge was calculated accurately, using Norgasco's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 32.01.

### CONCLUSION

With TA85-406, Norgasco requests approval of its revised GCA for the period beginning July 1, 2020. Staff has verified the proposed surcharge was calculated accurately using Norgasco's approved methodology, the proper support was filed, and the tariff sheet is correct. Therefore, Staff recommends the Commission approve Tariff Sheet No. 32.01, filed August 13, 2020, by Norgasco in TA85-406. The effective date of the tariff sheet should be August 12, 2020.

**Signature:** 

**Email:** bob.pickett@alaska.gov

**Signature:**   
Stephen McAlpine (Sep 3, 2020 11:18 AKDT)

**Email:** stephen.mcalpine@alaska.gov

**Signature:** 

**Email:** antony.scott@alaska.gov

**Signature:**   
Dan Sullivan (Sep 3, 2020 13:48 AKDT)

**Email:** daniel.sullivan@alaska.gov

**Signature:** 

**Email:** janis.wilson@alaska.gov

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<sup>14</sup> 3 AAC 52.506(b) states that a gas utility may implement a GCA filing that does not include a new methodology or cost element immediately upon filing with the Commission, although the GCA filing is subject to subsequent review, adjustment, and approval by the Commission.

RECEIVED

RCA No. 406 53 Revised  
 Canceling  
52 Revised

Sheet No. 32.01 JAN 10 2020  
 STATE OF ALASKA  
 REGULATORY COMMISSION OF ALASKA  
 Sheet No. 32.01

NORGASCO, INC.

e. Determination of Gas Cost Adjustment

(1) Estimated cost for twelve months beginning January 1, 2020	\$2,047,028
(2a) Gas Cost Adjustment balance account as of December 31, 2019	2,998
(3) Total of (1) and (2) above	\$2,050,026
(4) Estimated Retail Sales	671,487MMBtu
(5) Average Cost of Gas [(3) divided by (4)]	\$ 3.053MMBtu
(6) Base Cost of Gas	\$ 1.00MMBtu
(7) Gas Cost Adjustment [(5) minus (6)]	\$2.053MMBtu R

Tariff Advice No. 84 Effective: January 10, 2020

Issued by: NORGASCO, INC.

By: Bret Bartholomy Title: VP of Finance

RCA No. 406 54 Revised  
 Canceling  
53 Revised

Sheet No. 32.01 AUG 13 2020  
 TARIFF SECTION  
 RECEIVED  
 AUG 13 2020  
 RCA

NORGASCO, INC.

e. Determination of Gas Cost Adjustment

(1) Estimated cost for twelve months beginning January 1, 2020	\$1,993,996
(2a) Gas Cost Adjustment balance account as of June 30, 2020	3,338
(3) Total of (1) and (2) above	\$1,997,334
(4) Estimated Retail Sales	654,091MMBtu
(5) Average Cost of Gas [(3) divided by (4)]	\$ 3.054MMBtu
(6) Base Cost of Gas	\$ 1.00MMBtu
(7) Gas Cost Adjustment [(5) minus (6)]	\$2.054MMBtu I

Tariff Advice No. 84 85 Effective: August 12, 2020

Issued by: NORGASCO, INC.

By: Bret Bartholomy Title: VP of Finance